

Caution: *DRAFT—NOT FOR FILING*

This is an early release draft of an IRS tax form, instructions, or publication, which the IRS is providing for your information as a courtesy. **Do not file draft forms.** Also, do not rely on draft instructions and publications for filing. We generally do not release drafts of forms until we believe we have incorporated all changes. However, unexpected issues sometimes arise, or legislation is passed, necessitating a change to a draft form. In addition, forms generally are subject to OMB approval before they can be officially released. Drafts of instructions and publications usually have at least some changes before being officially released.

Early releases of draft forms and instructions are at [IRS.gov/draftforms](https://www.irs.gov/draftforms). Please note that drafts may remain on IRS.gov even after the final release is posted at [IRS.gov/downloadforms](https://www.irs.gov/downloadforms), and thus may not be removed until there is a new draft for the subsequent revision. All information about all revisions of all forms, instructions, and publications is at [IRS.gov/formspubs](https://www.irs.gov/formspubs).

Almost every form and publication also has its own easily accessible information page on IRS.gov. For example, the Form 1040 page is at [IRS.gov/form1040](https://www.irs.gov/form1040); the Form W-2 page is at [IRS.gov/w2](https://www.irs.gov/w2); the Publication 17 page is at [IRS.gov/pub17](https://www.irs.gov/pub17); the Form W-4 page is at [IRS.gov/w4](https://www.irs.gov/w4); the Form 8863 page is at [IRS.gov/form8863](https://www.irs.gov/form8863); and the Schedule A (Form 1040) page is at [IRS.gov/schedulea](https://www.irs.gov/schedulea). If typing in the links above instead of clicking on them: type the link into the address bar of your browser, not in a Search box; the text after the slash must be lowercase; and your browser may require the link to begin with “www.”. Note that these are shortcut links that will automatically go to the actual link for the page.

If you wish, you can submit comments about draft or final forms, instructions, or publications on the [Comment on Tax Forms and Publications](#) page on IRS.gov. We cannot respond to all comments due to the high volume we receive, but we will carefully consider each one. Please note that we may not be able to consider many suggestions until the subsequent revision of the product.



Instructions for Form 5695

Residential Energy Credit

Section references are to the Internal Revenue Code unless otherwise noted.

General Instructions

Future Developments

For the latest information about developments related to Form 5695 and its instructions, such as legislation enacted after they were published, go to www.irs.gov/form5695.

What's New

Separate instructions. Starting in 2014, the instructions for Form 5695 are separate from Form 5695.

Nonbusiness energy property credit. The nonbusiness energy property credit expired on December 31, 2013.

Purpose of Form

Use Form 5695 to figure and take your residential energy efficient property credit.

Also use Form 5695 to take any residential energy efficient property credit carryforward from 2013 or to carry the unused portion of the credit to 2015.

Who Can Take the Credit

You may be able to take the credit if you made energy saving improvements to your home located in the United States in 2014.

Home. A home is where you lived in 2014 and can include a house, houseboat, mobile home, cooperative apartment, condominium, and a manufactured home that conforms to Federal Manufactured Home Construction and Safety Standards.

You must reduce the basis of your home by the amount of any credit allowed.

Main home. Your main home is generally the home where you live most of the time. A temporary absence due to special circumstances, such as illness, education, business, military service, or vacation, will not change your main home.

Costs. Costs are treated as being paid when the original installation of the item is completed, or, in the case of costs connected with the reconstruction of your home, when your original use of the reconstructed home begins. Costs connected with the construction of a home are treated as being paid when your original use of the constructed home begins. If less than 80% of the use of an item is for nonbusiness purposes, only that portion of the costs that is allocable to the nonbusiness use can be used to determine the credit.

Association or cooperative costs. If you are a member of a condominium management association for a condominium you own or a tenant-stockholder in a cooperative housing corporation, you are treated as having paid your proportionate share of any costs of such association or corporation.



If you received a subsidy from a public utility for the purchase or installation of an energy conservation product and that subsidy was not included in your gross income, you must reduce your cost for the product by the amount of that subsidy before you compute your credit. This rule also applies if a third party (such as a contractor) receives the subsidy on your behalf.

Residential Energy Efficient Property Credit

If you made energy saving improvements to more than one home that you used as a residence during 2014, enter the total of those costs on the applicable line(s) of one Form 5695. For qualified fuel cell property, see [Lines 7a and 7b](#), later.

You may be able to take a credit of 30% of your costs of qualified solar electric property, solar water heating property, small wind energy property, geothermal heat pump property, and fuel cell property. Include any labor costs properly allocable to the onsite preparation, assembly, or original installation of the residential energy efficient property and for piping or wiring to interconnect such property to the home. The credit amount for costs paid for qualified fuel cell property is limited to \$500 for each one-half kilowatt of capacity of the property.

Qualified solar electric property costs. Qualified solar electric property costs are costs for property that uses solar energy to generate electricity for use in your home located in the United States. No costs relating to a solar panel or other property installed as a roof (or portion thereof) will fail to qualify solely because the property constitutes a structural component of the structure on which it is installed. The home does not have to be your main home.

Qualified solar water heating property costs. Qualified solar water heating property costs are costs for property to heat water for use in your home located in the United States if at least half of the energy used by the solar water heating property for such purpose is derived from the sun. No costs relating to a solar panel or other property installed as a roof (or portion thereof) will fail to qualify solely because the property constitutes a structural component of the structure on which it is installed. To qualify for the credit, the property must be certified for performance by the nonprofit Solar Rating Certification Corporation or a comparable entity endorsed by the government of the state in which the property is installed. The home does not have to be your main home.

Qualified small wind energy property costs. Qualified small wind energy property costs are costs for property that uses a wind turbine to generate electricity for use in connection with your home located in the United States. The home does not have to be your main home.

Qualified geothermal heat pump property costs. Qualified geothermal heat pump property costs are costs for qualified geothermal heat pump property installed on or in connection with your home located in the United States. Qualified geothermal heat pump property is any equipment that uses the ground or ground water as a thermal energy source to heat your home or as a thermal energy sink to cool your home. To qualify for the credit, the geothermal heat pump property must meet the requirements of the Energy Star program that are in effect at the

time of purchase. The home does not have to be your main home.

Qualified fuel cell property costs. Qualified fuel cell property costs are costs for qualified fuel cell property installed on or in connection with your main home located in the United States. Qualified fuel cell property is an integrated system comprised of a fuel cell stack assembly and associated balance of plant components that converts a fuel into electricity using electrochemical means. To qualify for the credit, the fuel cell property must have a nameplate capacity of at least one-half kilowatt of electricity using an electrochemical process and an electricity-only generation efficiency greater than 30%.



Costs allocable to a swimming pool, hot tub, or any other energy storage medium which has a function other than the function of such storage do not qualify for the residential energy efficiency credit.

Joint occupancy. If you occupied your home jointly with someone other than your spouse, each occupant must complete his or her own Form 5695. To figure the credit, the maximum qualifying costs that can be taken into account by all occupants for qualified fuel cell property costs is \$1,667 for each one-half kilowatt of capacity of the property. The amount allocable to you for qualified fuel cell property costs is the lesser of:

1. The amount you paid, or
2. The maximum qualifying cost of the property multiplied by a fraction. The numerator is the amount you paid and the denominator is the total amount paid by you and all other occupants.

These rules do not apply to married individuals filing a joint return.

Example. Taxpayer A owns a house with Taxpayer B where they both reside. In 2014, they installed qualified fuel cell property at a cost of \$20,000 with a kilowatt capacity of 5. Taxpayer A paid \$12,000 towards the cost of the property and Taxpayer B paid the remaining \$8,000. The amount to be allocated is \$16,670 ($\$1,667 \times 10$ (kilowatt capacity $\times 2$)). The amount of cost allocable to Taxpayer A is \$10,002 ($\$16,670 \times \$12,000/\$20,000$). The amount of cost allocable to Taxpayer B is \$6,668 ($\$16,670 \times \$8,000/\$20,000$).

Specific Instructions

Before you begin:

Figure the amount of any of the following credits you are claiming.

- Credit for the elderly or the disabled.
- Adoption credit.
- Mortgage interest credit.
- District of Columbia first-time homebuyer credit.
- Alternative motor vehicle credit.
- Qualified plug-in electric vehicle credit.
- Qualified plug-in electric drive motor vehicle credit.



Also include on lines 1 through 4, and 8, any labor costs properly allocable to the onsite preparation, assembly, or original installation of the property and for piping or wiring to interconnect such property to the home.

Line 1

Enter the amounts you paid for qualified solar electric property. See [Qualified solar electric property costs](#), earlier.

Line 2

Enter the amounts you paid for qualified solar water heating property. See [Qualified solar water heating property costs](#), earlier.

Line 3

Enter the amounts you paid for qualified small wind energy property. See [Qualified small wind energy property costs](#), earlier.

Line 4

Enter the amounts you paid for qualified geothermal heat pump property. See [Qualified geothermal heat pump property costs](#), earlier.

Lines 7a and 7b

Any qualified fuel cell property costs must have been for your main home located in the United States. See [Main home](#), earlier. If you check the "No" box, you cannot include any fuel property costs on line 8.

If you check the "Yes" box, enter the full address of your main home during 2014 on line 7b.

If you and your spouse are filing jointly and you each have different main homes with qualified fuel cell property costs, provide on line 7b the address of your main home. Add a sheet providing the address of your spouse's main home. You and your spouse should add your qualified fuel cell property costs together on line 8 of one Form 5695.

Line 8

Enter the amounts you paid for qualified fuel cell property. See [Qualified fuel cell property costs](#), earlier.

Line 14

Complete the following [worksheet](#) to figure the amount to enter on line 14. If you are claiming the child tax credit for 2014, enter on line 3 of the worksheet the amount from line 12 of the Line 11 Worksheet in Pub. 972.



If you are not claiming the child tax credit for 2014, you do not need Pub. 972.

**Residential Energy Efficient Property Credit
Limit Worksheet—Line 14**

1. Enter the amount from Form 1040,
line 47, or Form 1040NR, line 45 1. _____
2. Enter the total, if any, of your credits from
Form 1040, lines 48 through 51, and
Schedule R, line 22; or Form 1040NR,
lines 46 through 48 2. _____
3. Enter the amount, if any, from line 12 of
the Line 11 Worksheet in Pub. 972 if you
are claiming the child tax credit 3. _____
4. Enter the amount, if any, from Form 8396,
line 9 4. _____
5. Enter the amount, if any, from Form 8839,
line 16 5. _____
6. Enter the amount, if any, from Form 8859,
line 3 6. _____
7. Enter the amount, if any, from Form 8910,
line 15 7. _____
8. Enter the amount, if any, from Form 8936,
line 23 8. _____
9. Add lines 2 through 8 9. _____
10. Subtract line 9 from line 1. Also enter this
amount on Form 5695, line 14. If zero or
less, enter -0- on Form 5695, lines 14 and
15 10. _____

Manufacturer's certification. For purposes of taking the credit, you can rely on the manufacturer's certification in writing that a product is qualifying property for the credit. Do not attach the certification to your return. Keep it for your records.

Line 16

If you cannot use all of the credit because of the tax liability limit (line 14 is less than line 13), you can carry the unused portion of the credit to 2015.

File this form even if you cannot use any of your credit in 2014.